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## Have a trial period for GST, says economic expert

KUALA LUMPUR: The Goods and Services Tax to be enforced on 1 April 2015 should undergo a trial period beforehand to ensure it is really effective and beneficial for the people and the nation.

An economic expert at the Economy, Finance and Banking Studies Centre at Universiti Utara Malaysia Prof Datuk Dr Amir Hussin Baharuddin said the trial period was necessary to ensure the GST did not benefit one group and put the consumers at the losing end.

"What the people are most concerned is that when there is GST, there are found to be agents or parties seeking tax exemptions and pass the buck to the consumers.

"As consumers they have genuine concern if the producers, wholesalers and retailers pass the tax to them, they will have to pay more than the six per cent tax mandated by GST," he said.

### HAVE YET TO BE TRIED

Dr Amir Hussin noted that as long as it was not implemented, the GST's real effect would not be felt.

"Some may think that the six per cent for a start is too high but my opinion is that if we don't start the GST how are we to know whether the rates are high or low. We implement first and see its suitability.

"There may be some shortcomings in the taxation system at the initial stage.

The people have to be patient and offer constructive criticism so that the tax system can be improved along the way," he said.

Prime Minister Datuk Seri Najib Tun Razak while tabling the 2014 Budget last October had said that the Sales and Services Tax (SST) amounting to 16 per cent at present has some shortcomings, including double taxation on consumers, the absence of tax exemption on export items and the price issue.

Therefore, the government will address all the shortcomings through GST that will take effect from 1 April 2015, replacing the SST.

### GST PROMISES MORE EXEMPTIONS

Speaking on the tax exemptions offered by GST, Dr Amir Hussin said the people have to be realistic on the items where GST applies and understand GST's objective.

"The GST offers many exemptions, but that does not mean all goods and services enjoy exemptions and if that is the case then there is no need for GST," he said.

Food items like rice, sugar, salt, flour, cooking oil, lentil, chili, spices, salted fish, pekasam (fish pickled in brine), cencaluk (fermented shrimp), and shrimp paste, piped water and the first 200 units of electricity per month for domestic consumers are exempted from GST.

Apart from that, GST does not apply for services provided by the government like the issuance of passport, licences, health services and education.

Also exempted from GST are the transportation services - buses, train, LRT, taxi, ferry, boats highway tolls, sales and purchase of homes and selected financial services.

### INVOICE SYSTEM

Meanwhile, an International Business Management lecturer with Universiti Utara Malaysia Prof Dr Mohamad Hanapi Mohamad said the countries that had successfully implemented GST were the ones that had introduced 'invoicing' for every business transaction.

He said 'invoicing' is highly effective as it could create a more transparent and reliable system where the importers and manufacturers could be easily audited.

"Therefore they cannot transfer taxes to the consumers as all the transactions will be recorded in the invoice.

"We fear that if the producers and service providers transfer the GST to end users, thus the cost will shoot up and we will be seen as inefficient in implementing the system," he said.

He is confident that the GST will be able to enhance the nation's income apart from the income tax and corporate tax and will help address many of the fiscal problems.

### THE COUNTRY HAS TO STREAMLINE ITS BUSINESS PROCESS

The country has to streamline business transactions at all levels because through enforcement and transparent delivery system, GST can be implemented successfully.

"The government too has to ensure the people pay their taxes. And to make sure the people pay their taxes, the government has made sure that they are not burdened

with numerous taxes. This will ensure their take home income is not affected and subsequently their buying power.

"When the buying power rises, it will generate more economic activities that will be beneficial for the people and the country," he said.

Mohamad Hanapi noted that among the challenges in ensuring the GST's successful implementation is ensuring that the three parties involved - government, producers/providers and consumers - were treated justly.

### GETTING MORE COMPETITIVE

The GST Chief Assistant Secretary of the Finance Ministry's Tax Division Ezleezan Othman said there was no need for anyone to worry over GST's implementation and instead it is better that they welcomed the system especially when looking at the rising cost of living.

With the tax restructuring through GST, the price of goods or services could come down or become more competitive.

"Now we have sales tax of five per cent, 10 per cent and service tax of six per cent. With GST, both taxes will be abolished and replaced with a single tax at six per cent.

Ezleezan also explained that GST is a fair taxation system, where those who could afford would pay more compared with those who could afford less.

Through an effective GST, the country's revenue will increase and the government will return the revenue to the people in the form of development and assistance for the needy.

### SPENDING PATTERN

Asked on the GST's impact on low and medium income earners, Ezleezan replied the studies conducted on the spending pattern of low income earners found that goods and services exempted from GST represent 60 to 70 per cent of their monthly expenditure.

"Much of GST will be borne by those in the high income bracket. It can be concluded, the GST to be implemented will not burden medium income earners.

"How much or how less GST that one has to bear will depend on their spending trend. If one spends more on GST imposed goods and services, then the more GST one has to pay," he said. - Bernama